

My executive budget recommendation for Fiscal Year 2011 has now been presented to the Legislature, as required by law. It contains some dramatic ways to reduce spending and actually improve some state services over the short and long terms.

You've probably read of the significant revenue shortfalls in FY 2009 and 2010 that got us to this point. I expect those shortfalls to continue in FY 2011, and beyond.

Indeed, another \$200 million must be cut from FY 2010 appropriated spending in order to balance our budget for the current fiscal year. That's right, we have to cut this year's budget by \$200 million more before we even get into the Fiscal Year 2011 budget.

The combination of state revenue shortfalls, disappearing federal stimulus funds, and additional state

funding for certain programs that has been requested as critical, would require this FY 2011 budget to be some \$715 million more than FY 2010 expected actual revenue. Such additional funds will not be available.

Funding for FY 2012 will be short another \$500-plus million which, when coupled with the \$715 million shortfall for FY 2011, results in a revenue deficiency of over \$1.2 billion for the 2012 fiscal year. So we must prepare a budget that balances in 2011 and gets us ready for more savings in FY 2012.

The changes I recommend in the EBR have the potential to transform the way state government collects and spends revenue, and delivers services to taxpayers.

As I said, it is dramatic, but not draconian. Many of these changes would save large amounts of money either immediately or within two years. Many of the same changes will actually improve service to our citizens, including education. Some changes may reduce some services mildly, but none jeopardizes citizens' ability to get necessary services nor will they diminish access to or the quality of education.

During FY 2011, it will be necessary for local governments and school districts to cover a small part of the costs recently paid for with state funds. I have recommended they use the large reserve balances most have already built up, but making savings to erase all or part of the shortfall would be good for locals just as the state is doing.

Consolidation of many local school districts is long overdue. My goal of having no more than one hundred is not precise but is clearly in the range of propriety. Similarly, mergers of universities are preferable to closures, but continuing to fund eight self-standing universities is not a responsible use of taxpayers' money. Combining administrative functions will save funds and improve efficiency at both community colleges and universities.

We must and will continue to focus on economic development and job creation.

Experience tells us our state's revenue problems will last several more years. That is why I have insisted the "Rainy Day Fund" last four years, and this budget achieves that.

Much of the federal stimulus money available in FY 2011 but lost in FY 2012 will have been spent on education (\$196 million in FY 2011) and Medicaid (\$174 million.) These holes make cost-saving reforms in education especially critical, and they make further reform of Medicaid financing and payments absolutely necessary.

Even if state revenue recovers faster than two years, we will still need major additional savings.

And I do believe our state's economy will rebound faster and stronger than that of the nation as a whole. While we entered the recession later, we have the opportunity and potential to come out of it sooner for a variety of reasons.

My first five years in office saw Mississippians' per capita income increase by 27%, one of the higher rates in the country. We were replacing low skill, lower paying jobs with higher skill, higher paying jobs; and we still have a lot of that in the pipeline.

This pipeline includes delayed major projects like the Toyota plant at Blue Springs plus six Toyota suppliers and PACCAR at Columbus that will go forward as the national economy recovers. The 5,000 jobs associated with just these projects will help get us back on track earlier. We can recover the momentum we had through the middle of 2008 and see robust economic growth and job creation return to our state earlier.

I'm very optimistic about Mississippi's future, and I think our state can be first out of the chute to reestablish

economic development and growth. We cannot, however, avoid or ignore the fiscal woes resulting from this international recession. We're not immune to it; state revenues have and will be knocked back by it; and we have to deal with it by reducing spending until revenue recovers, which will happen only after the recovery has gone on for a while.

This budget gives you my best thinking on how to achieve the necessary savings in the most effective ways, not only doing the least harm but in many cases actually improving performance. I'm willing to consider other ways to achieve the necessary savings. But we must achieve the savings ... this year, in FY 2011 and in FY 2012.

I look forward to working with you and the Legislature to change the way Mississippi does its budget business.